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CARBEC MINES LIMITED

**22nd
ANNUAL
REPORT**

1966

CARBEC MINES LIMITED

Officers: LONEY G. NICOL, Chairman and President Montreal, Quebec
ROGER SAYKALY, Vice-President Montreal, Quebec
PAUL LANGLAIS, Vice-President Montreal, Quebec
GERALD F. WOOD, Secretary-Treasurer Candiac, Quebec

Directors: GEORGE A. BEY Montreal, Quebec
PAUL LANGLAIS Montreal, Quebec
GEORGE MANIATIS Saint John, N.B.
LONEY G. NICOL Montreal, Quebec
ROGER SAYKALY Montreal, Quebec

Head Office: SUITE 1200, 1255 UNIVERSITY STREET Montreal, Quebec

**Transfer
Agent and
Registrar:** THE EASTERN & CHARTERED TRUST COMPANY Montreal, Quebec

Auditors: CAMPBELL, SHARP, MILNE & CO. Montreal, Quebec

Bankers: THE ROYAL BANK OF CANADA Montreal, Quebec

Listing: CANADIAN STOCK EXCHANGE — TICKER SYMBOL — CRC

CARBEC MINES LIMITED

Report of the Directors

To The Shareholders:

The Directors of your company are pleased to report considerable success achieved during the year 1966. Your company has acquired new and interesting properties both in Canada and in the Republic of Zambia, and has also been successful in obtaining sufficient funds for the planned exploration of these new holdings.

New Management:

Early in 1966 Mr. Loney G. Nicol purchased 954,500 of the outstanding 1,000,000 escrowed shares. Mr. Nicol and his associates, who now constitute the management of your company, have effective control.

Quebec Properties:

The new management was able to obtain two parcels of claims in the Province of Quebec. These consist of some 400 acres in Senneterre Township, Abitibi East, and about 800 acres in Freville Township, Pontiac County.

At a cost of some \$10,000 Carbec conducted preliminary exploration on these properties. This exploration revealed the locations of five anomalies, which will be explored further at some future date. Meantime, the claims are being held in good order.

Zambia:

The focal point of the company's operations is a property in Zambia where interesting copper showings have been in evidence for some years.

For a cash payment of \$75,000 your company acquired 50% of the outstanding shares of Mkushi Copper Mines Limited, a mining company which is incorporated under the laws of the Republic of Zambia.

The property under option from Falcon Mines Limited and Anglo-American Corporation (C.A.) Limited is located in the Mkushi District of north-central Zambia, thirty miles by road east of Kapiri Imposhi, a station on the main Copperbelt railway.

The property lies along the Lunsemfwa River. It consists of two elements: 1. a long narrow strip of claims owned by Falcon Mines Limited which cover all of the known important copper occurrences in the district, and 2. an 83 square mile triangular shaped property surrounding the Falcon claims and owned by Anglo-American Corporation. The combination of these two elements gives Mkushi Copper Mines adequate protection regarding presently known and suspected potential copper-bearing ground in the Mkushi district.

In the 1920's, the area of the properties was actively explored by Falcon Mines, who held a small square group of claims at Mtuga, and by the Rhodesian Congo Border Concession Company (RCBC), who held all of the surrounding ground under what was then known as the Lunsemfwa Special Grant. In this period Falcon Mines outlined small tonnages of high grade copper ore by two levels of underground workings at Mtuga.

The RCBC programme during the same period was much more extensive. It consisted of an equipotential (EP) survey eight miles long by two or three miles wide. The survey was followed by the drilling of at least 25 diamond drill holes and the development of some nine small shafts with shallow workings.

In the Munshiwemba section of the Lunsemfwa Special Grant about 150,000 tons of copper mineralization grading 3% to 4% copper was outlined in the mineralized zones designated E, X, Y and Z.

In 1949, Falcon Mines extended its claims into a narrow strip running northeast-southwest which covered all of the known copper occurrences in the Lunsemfwa Special Grant. The properties previously held by RCBC had either expired or allowed to lapse, including the important Munshiwemba section.

From 1955 to 1959, Falcon leased these claims to Magundi Copper Mines and Minerals Limited. In this period Magundi produced some 2,000 tons of copper in the form of concentrates, largely from mineralization extracted from the Mtuga workings.

Official Zambian Government records and information from Falcon's records shows that only about 22,000 tons of mineralization were extracted from the Munshiwemba section of the properties, thus leaving a probable remainder of approximately 130,000 tons of mineralization (based on the RCBC exploration and evaluation).

Carbec, through Mkushi, completed an agreement with Falcon on September 6, 1966 which gives Mkushi the right to freely explore the properties for a period of eighteen months. Also in September, 1966, the agreement with Anglo-American was concluded.

Following a visit to Zambia, your company's consulting geologist, Dr. P. R. Eakins, recommended that exploration be concentrated in the Munshiwemba section and a programme was commenced under the supervision of your company's consulting mining engineer, Mr. R. H. Howe. The entire programme was outlined in considerable detail in a report to the shareholders dated March 3, 1967 and confirmed assays from the current drilling phase were sent to shareholders under date of March 21, 1967.

The initial phase of the programme is now substantially completed. Results of an induced polarization (IP) survey have been analyzed by Mr. R. Hutchison, P. Eng., consulting geophysicist, of Toronto.

The continuation of the exploration and eventual development of the properties is based on the detailed reports of Dr. Eakins, Mr. Howe and Mr. Hutchison.

The following comments are taken from a recent report of your company's consulting geologist — Dr. P. R. Eakins.

"After a detailed study of all of the records available relative to previous exploration and production from the properties covered by the Falcon Mines Limited claims in the Mkushi district of Zambia, I recommended to the Board of Directors that exploration be largely concentrated on the Munshiwemba section of the holdings. The records indicated a substantial amount of mineralization with copper grades ranging to 4% already outlined. Geologically the prospects were favourable for additional mineralization to be discovered.

The initial programme proposed and accepted by the directors of your company involved an induced polarization (IP) survey of the Munshiwemba section and follow-up drilling as required, test drilling to confirm the previously established mineralization in the E, X, Y, and Z zones, dewatering and other preparatory work in the old shafts and workings prior to underground drilling, and the acquisition of certain equipment necessary to achieve these goals.

This programme is now substantially completed.

The IP survey shows a prominent anomaly over the known E, X, Y and Z zones, designated as anomaly E, and somewhat weaker, but still interesting, anomalies up to over three thousand feet to the southwest over indications of mineralization obtained by the RCBC in their EP survey and drilling and underground work. Of greatest significance however, was the discovery of two new and previously unknown anomalies lying to the southwest of the E anomaly. These new anomalies have been designated F and G anomalies. These anomalies are equal to or better than the E anomaly over the E, X, Y and Z mineralized zones.

Diamond drilling of the E, F and G anomalies commenced in late December, 1966 and continues at the present time.

The most significant hole, DDH 90/4850, has returned some valuable copper intersections from under the G anomaly. Between 123.5 feet and 138.6 feet, an intersection of 15.1 feet, the grade was 2.37% copper; between 150.0 feet and 186.5 feet, an intersection of 36.5 feet, the grade was 4.86% copper; and between 217.7 feet and 233.2 feet, an intersection of 15.5 feet, the grade was 2.90% copper. The average copper content over 51 feet between 150 and 201 feet was 3.8% and between 109 feet and 233 feet the average was 2.4% copper over 124 feet.

Other holes drilled along line 90 have intersected narrow or low grade extensions to be southwest of the F anomaly. The F anomaly is now being drilled.

One short diamond drill hole, E-4, was put down before the holes probing the new anomalies were started. This hole has intersected widths and grades which increase the potential of the E zone, to a significant, but as yet unknown, extent.

Current plans envisage the dewatering of the old E zone workings from shafts 4 and 5 and a vigorous underground exploration and evaluation programme. This work is well underway as this report is being printed.

The nature of the mineralization on the properties is simple: the copper-bearing sulphide chalcopyrite occurs as fine to medium sized grains disseminated through masses of white aplitic to granitic rock enclosed in highly metamorphosed rocks known as augen gneisses. This mineralization is obviously related in some way to a strong fault or fracture zone which has been defined over a length of eleven miles and which is covered by the claims under option to Mkushi Copper Mines.

The size, shape and orientation underground of the masses of disseminated chalcopyrite, and therefore their tonnage and grade, are still very imperfectly known because they have not yet been subjected to sufficient detailed exploration, and because as yet there is insufficient geological data upon which to base an evaluation. The programme as outlined in a previous report to the shareholders (March 3, 1967) is designed to provide the required information from which tonnages and grades can be sufficiently well calculated as to provide the data for a mining programme.

In summary, the Munshiwemba section of the properties contains a copper mineralized zone some four thousand feet long within which there are at least six important masses of disseminated chalcopyrite currently under active exploration. Any estimate of tonnages or grade of these masses at this time would be highly speculative and might be completely misleading. However, prospects are very encouraging and part of the overall programme scheduled for the coming months involves studies of possible sites for a mill. The eventual size of the mill will depend on further exploration and the economics of mining.

Evaluation of other sections of the properties, particularly the Kolokwo section to the northeast and the Mtuga section to the southwest is underway, and IP surveys of these areas are being strongly considered by company officials.

The success of the IP survey recently completed stresses the need for continued vigorous exploration utilizing the most modern methods along the entire length of the claims."

Financial:

At the last annual meeting, held in April, 1966, the directors obtained approval from the shareholders to increase the authorized capital of Carbec from 3,000,000 to 5,000,000 shares. This increase was subsequently effected through Supplementary Letters Patent as of February 14, 1967.

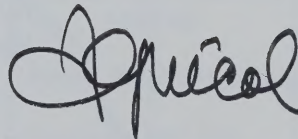
In June 1966 an underwriting of 400,000 shares was completed at a net price of $17\frac{1}{2}\text{¢}$ a share. The shares were underwritten by Saybec Investment Corporation. Further to the underwriting, Saybec received an option on 150,000 shares at $22\frac{1}{2}\text{¢}$ a share, and this option was later exercised. The total net proceeds of the underwriting and the option amounted to \$103,750 which was placed in the Carbec treasury.

In March, 1967 a further underwriting of 300,000 shares at 90¢ a share was completed and \$270,000.00 was placed in the treasury. Saybec again was the underwriter. A further option was granted covering 150,000 shares at \$1.15 a share for 90 days, which will add \$172,500.00 to the treasury when exercised.

Carbec's obligation under the present exploration and development programme is approximately \$175,000 which will be advanced to Mkushi in the form of a loan.

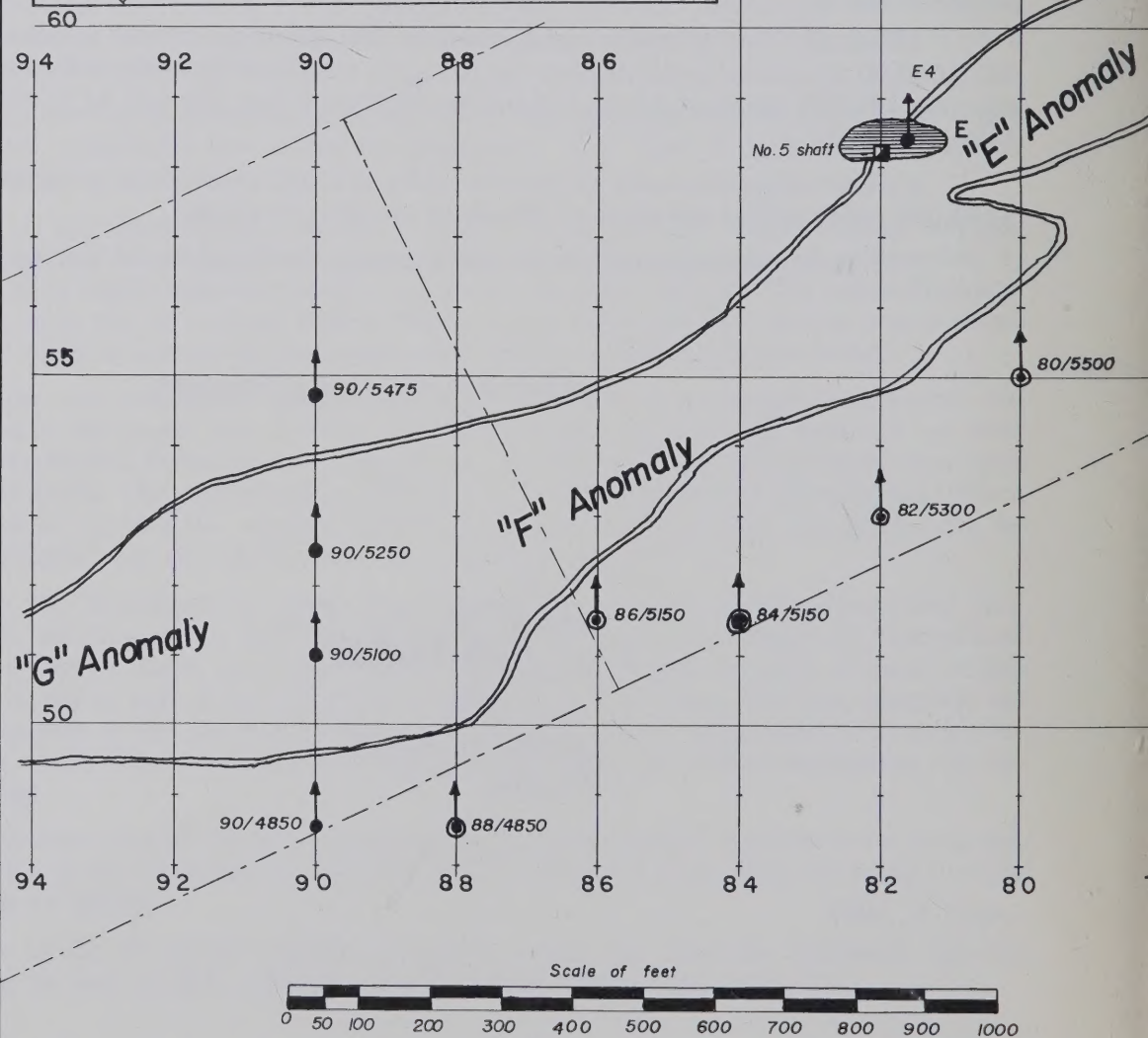
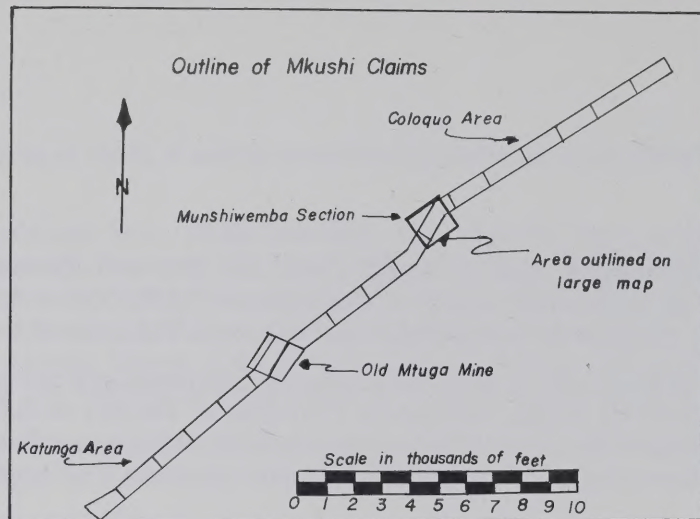
The current financial position of your company is reflected in the accompanying statements.

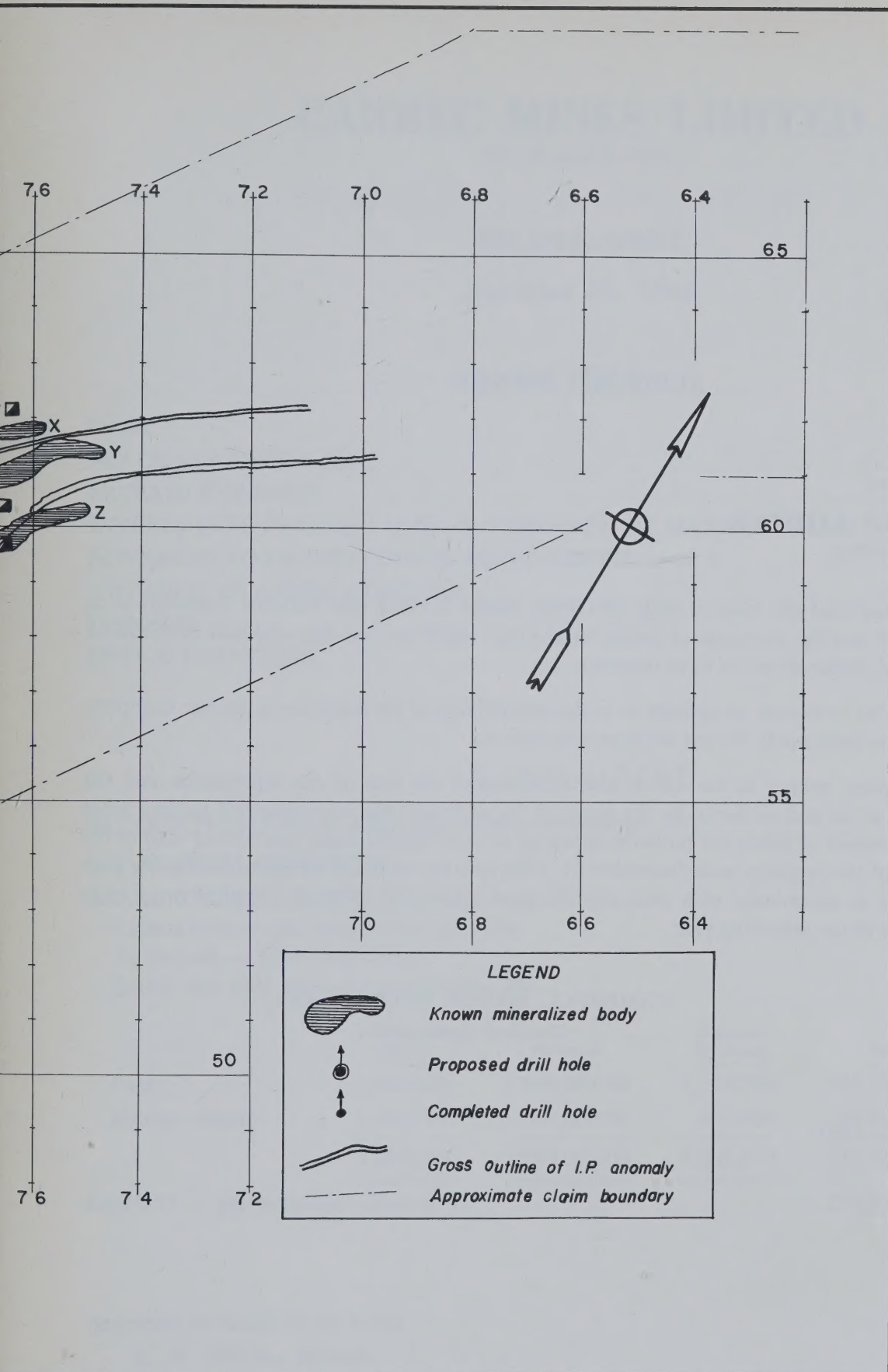
On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read "Loney G. Nicol". The signature is stylized with a large, looping initial "L" and a cursive "Nicol".

LONEY G. NICOL,
President.

April 5, 1967.





	MKUSHI COPPER MINES LTD.			No.
	Outline of I.P. anomalies and test drilling Northeast Half, Munshiwemba Section			
DRAWN BY: T.G.F.				BLOCK No.
TRACED BY: C.N.	SCALE:	March 1967		

AUDITORS' REPORT

To the Shareholders,

CARBEC MINES LIMITED

(No Personal Liability).

We have examined the balance sheet of Carbec Mines Limited (No Personal Liability) as at December 31, 1966 and the statement of deficit for the year ended on that date and have obtained all the information and explanations we have required.

We are unable to express an opinion as to the collectibility of the advances to Ambec Company and no provision has been made for any ultimate loss thereon.

In our opinion, subject to the above and according to the best of our information and the explanations given to us, and as shown by the books of the company, the accompanying balance sheet and the related statement of deficit are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1966 and the results of its operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CAMPBELL, SHARP, MILNE & CO.,

Chartered Accountants.

Montreal, April 5, 1967.

(No Personal Liability)

December 31, 1966

CASH	\$ 6,320.61
ACCOUNTS RECEIVABLE	2,769.68
PREPAID EXPENSES	369.20
INVESTMENTS IN OTHER MINING COMPANIES AT MARKET VALUE	3,600.00
ADVANCES TO MKUSHI COPPER MINES LIMITED (note 1)	60,379.63
ADVANCE TO AMBEC COMPANY	32,789.73
DEPOSITS	1,000.00
OFFICE FURNITURE	3,392.86
	<u>\$110,621.71</u>

ACCOUNTS PAYABLE AND ACCRUED EXPENSE	861.64
LOANS FROM DIRECTORS	10,977.78

	<u>Number of shares</u>	<u>Par value</u>	<u>Discount on shares</u>	<u>Net</u>
Cash	1,980,003	1,980,003.00	1,655,250	324,753.00
Mining claims	1,000,000	1,000,000.00	950,000	50,000.00
	<u>2,980,003</u>	<u>2,980,003.00</u>	<u>2,605,250</u>	<u>374,753.00</u>
DEFICIT — per statement attached				275,970.71
				<u>98,782.29</u>
				\$110,621.71

G. A. BEY, *Director.*

CARBEC MINES LIMITED

(No Personal Liability)

STATEMENT OF DEFICIT

For the year ended December 31, 1966

	Balance December 31 1965	1966	Balance December 31 1966
COST OF CLAIMS ABANDONED OR SOLD	\$ 74,706.12	—	\$ 74,706.12
EXPLORATION AND DEVELOPMENT EXPENDITURES THEREON	160,179.20	6,495.40	166,674.60
ORGANIZATION EXPENSES	1,170.50	—	1,170.50
REDUCTION OF CARRYING VALUE OF INVESTMENTS TO THEIR MARKET VALUE	4,560.87	3,505.63	8,066.50
ADMINISTRATIVE EXPENSES			
Legal and audit fees	10,847.92	7,140.20	17,988.12
Stock registration and transfer expenses	7,559.01	1,441.81	9,000.82
General administrative expenses	20,062.72	26,559.97	46,622.69
	<u>\$279,086.34</u>	<u>\$45,143.01</u>	<u>\$324,229.35</u>
DEDUCT:			
Gain on sale of investments	16,132.56	—	16,132.56
Investment and other income	28,126.08	4,000.00	32,126.08
	<u>44,258.64</u>	<u>—</u>	<u>48,258.64</u>
	<u>\$234,827.70</u>	<u>\$41,143.01</u>	<u>\$275,970.71</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 1966

NOTE 1 — The company has entered into an agreement to purchase 500,000 shares of Mkushi Copper Mines Limited for an aggregate price of \$75,000 against which the advances of \$60,379.63 will be applied.

NOTE 2 — Of the 2,980,003 issued shares, 1,000,000 shares are held in escrow by The Eastern & Chartered Trust Company.

Subsequent to balance sheet date the company was granted Supplementary Letters Patent increasing the authorized capital stock to 5,000,000 common shares of \$1.00 par value. In this regard 300,000 shares have been issued in 1967 for the sum of \$270,000 and an option has been granted to another company to purchase an additional 150,000 shares for the sum of \$172,500.
